

DOCUMENT RESUME

ED 367 877

CE 065 983

AUTHOR Krause, David; And Others
TITLE Can Academia Truly Help Small-Business Owners?
Opinion.
PUB DATE 90
NOTE 10p.; Small Business Forum, volume 8, number 2,
p54-61, Fall 1990 (reprint).
AVAILABLE FROM Small Business Development Center, 432 North Lake
Street, Room 425, Madison, WI 53706 (reprint no.
AR473: 1-9 copies, \$4 each plus \$2 shipping; 10-99,
\$3 each plus \$4 shipping; 100 or more, \$2 each plus
\$10 shipping).
PUB TYPE Viewpoints (Opinion/Position Papers, Essays, etc.)
(120)
JOURNAL CIT Small Business Forum; v8 n2 p54-61 Fall 1990
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Business Education; College Role; *Entrepreneurship;
Helping Relationship; *Higher Education; Research
Utilization; *Role of Education; School Business
Relationship; *Small Businesses

ABSTRACT

Seven small business owners, professors, and leaders answered the question of whether academia can help small business owners. In the opinion of a small business owner, academia offers too much theory and too few real skills. According to the president of the National Federation of Independent Business, academia can play a role in the development of small business, but colleges and universities must first overcome many barriers. From a chief executive officer's point of view, business and academia must form a dynamic alliance; if the premise of universities is to provide pure theory and no specifics, the premise is wrong. The president of the Association of Small Business Development Centers finds that strains exist because small business owners and academics both question the value of the relationship. A professor presents educators' viewpoint: academia can help many entrepreneurs, but there are barriers to a successful working relationship: client-counselor mismatches, antigeneralist bias, and entrepreneurs' ignorance of all available sources of help. According to another professor, if research and insights could be expressed clearly to small business owners and emerging entrepreneurs, a great deal of experience, research, and knowledge could be networked among those interested in improving the competitive edge. The administrator of the Small Business Administration reports that the traditional role of universities has never been more important to small businesses. (YLB)

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SMALL BUSINESS

FORUM

The Journal of the Association of Small Business Development Centers

Published by the University of Wisconsin-Extension

ED 367 877

OPINION

Can Academia Truly Help Small-Business Owners?

With opinions by David Krause, John Sloan, Robert Jagemann, Robert Bernier, Jerry Katz, Donald Kuratko, and Susan Engeleiter

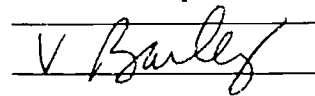
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Can Academia Truly Help Small-Business Owners?

Overall, business schools are not doing the job in teaching managers of small firms how to take sensible risks, create valuable products, motivate people, and satisfy customers.

Small-Business owners, professors and leaders offer candid and surprising answers.

We need less theory and more real skills

David S. Krause

David S. Krause is part-owner of several small businesses. He is also a financial consultant for large and small manufacturing companies.

Here's how an academic could help me: he or she could come to my factory at 6 a.m. and give me an honest day's worth of work on the shop floor!

Don't get me wrong, I'm not against employee training and education. In fact, I believe that American managers need to spend more time with all of the employees in their organization in learning situations. However, I do not believe that the modern corporate management theories taught by business school faculty apply as well to small firms as they do to large corporations. Additionally, I believe that professors overall do not possess enough real world experience to fully grasp what small-business owners need to understand.

Academia fails at training managers in the skills that they really need to succeed in today's tough global environment. For instance, business schools still do not require their students to take a foreign language. In addition, little is done to educate students about how to communicate effectively with employees and customers. Understanding the mathematics of portfolio theory will not help small business managers make decisions about how to price their products. Studying the most recent "management by ..." theory will not assist the small-business owner who is

facing fierce foreign competition. Overall, business schools are not doing the job in teaching managers of small firms how to take sensible risks, create valuable products, motivate people, and satisfy customers. They are not teaching us how to hit curve balls.

I believe that academia exists for two reasons. First and foremost, professors must publish or perish. In other words, they must generate a significant amount of published scholarship that supposedly enhances our understanding of how business works. (Incidentally, I personally believe that it's a shame that trees were felled in order to print most of those scholarly articles.) Second, business schools exist to teach people about being managers. But is academia equipped or motivated to provide the type of education and training needed to help American small business compete in the global 1990 economy?

Robert Samuelson recently wrote in *Newsweek* that "business schools are expensive employment agencies" for Fortune 500 firms. Via their competitive entrance requirements and structured management programs, academia pumps out round pegs which can be easily fit into the round holes required by the General Electrics and IBMs of this world. These huge bureaucracies require individuals who can easily be transferred from one division to another. It's absurd to think that business school can teach individuals how to think independently, when they themselves are part of some of the most poorly run bureaucracies in the world. Some of the business schools I've seen could compete with Eastern Europe in ability to sustain inefficiency.

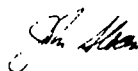
Engineering, medicine, law, and the sciences are professions that require students to understand a core body of knowledge before graduation. Managing people (both

inside and outside the firm), on the other hand, is a skill which cannot be taught in the classroom. While the mechanical tools used in accounting, finance, and marketing can be studied and later applied by students, leadership cannot be taught! Because no two businesses are alike, the skills and decision-making instincts for one may be entirely ill-suited for another.

The idea that a business professor can help a small-business owner without ever visiting the firm and understanding the specifics of the business is insulting. We don't want easy answers or textbook solutions that some omnipotent academic likes to put on chalkboards. Superficial understanding and rapid implementation of corporate management theory by the small-business manager may be very harmful to the firm's long-term health. Look at the many businesses who tried to diversify into other lines in the 1970s and 1980s, and found out the hard way that they should have stuck to what they did the best — despite what modern portfolio theory was suggesting.

American business is in for a global fight. The low fruit has already been picked, and it is going to take intelligent, creative managers to harvest the remainder. Let's get serious. If academia is interested in helping today's small-business owners survive and succeed in the 1990s, they are going to have to get out to the businesses and roll up their sleeves. Issues like quality improvement and productivity must be addressed on the factory floor with the workers one-on-one rather than in the cozy confines of the ivory tower. Communication skills and an understanding of our foreign markets are important contributions that our professors can make. Less effort by academia in developing irrelevant theories and more emphasis on honing the real skills that small-business managers need will make our country better off.

Academia must first overcome many barriers



John Sloan, Jr. is the president and chief executive officer of the National Federation of Independent Business, the largest small-business organization in the United States.

Academia can play a role in the development of small business, but colleges and universities must first overcome many barriers before their efforts can succeed fully.

To learn what shortcomings are prevalent among fledgling business owners and what kinds of help they need, it is instructive to examine the thousands of businesses that succeed or fail each year. It is equally important for policymakers in the university community to know where the typical business owner turns for help and why.

A study conducted by the NFIB Foundation and American Express surveyed more than 3,000 start-up firms over a three-year period. The study found that 19 percent of the firms failed during the three years. While insufficient capital was one of the main reasons for the failures, I believe a critical factor in the failure of young business is poor management. Many new business owners do not even comprehend the dynamics of the balance sheet.

A university whose faculty clearly understands the causes of business failures, or the areas in which business owners need help, *can* offer needed, *practical* assistance. Such assistance should in no way be perceived as a violation of the premise of the university. Institutions of learning are *expected* to provide practical information as well as theoretical perspectives. Such practical information as a part of the curriculum for students in engineering, chemistry and education, for example. Why should business education be confined to the theoretical?

However, as the university reaches out to help small businesses, it is under no obligation to make special provisions to accommodate small-business owners, any more than it is under an obligation to provide special treatment to any other group.

In fact, these people do not need or want coddling. The NFIB-American Express study found the new-business owners surveyed to be better educated than those of similar age in the general population. They were much less likely

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to leave school prior to high school graduation and much more likely to have attended college. Three of five took coursework in business subjects such as management, marketing, or finance.

Furthermore, education among the group did not end when they left school. Despite the rigorous schedules of typical business owners (60-70 hours per week), 61 percent continued education or training after starting the business.

Clearly, there is a demand among small-business owners for ongoing education. However, most of them do not consider the university the first place to seek that schooling. A study conducted by NFIB in the mid-1980s found that small-business owners ranked college or university business teachers last on a list of five potential sources of management advice, in terms of trusting the advice to be helpful. Retired business owners ranked first, private management consultants second, trade association staff third and the Small Business Administration fourth. This ranking suggests that academia faces a major marketing problem if it intends to reach out to small-business owners who could use its help.

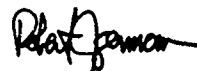
One of the most successful university programs I have observed is that offered by Small Business Institutes. The program involves college professors and teams of students who provide consulting services to a firm at nominal cost. This program has at least two distinct advantages: First, it brings troubleshooting to the business with a problem, and second, it immerses students in the realities of running a small firm.

These institutes reach out to the community, to the small-business owner. This is in contrast to many university seminars and other programs which require the business owner to come to them. As mentioned above, business owners are busy people. They know they need ongoing training, and may get it. But those who don't probably do not because they are reluctant to commit valuable time to unknown "ivory tower" academicians.

The problem can be solved through a simple marketing concept: introduce the product to the customer in a familiar environment. In this case, faculty members should spend time in the same parts of the community as business owners. By joining civic clubs and business organizations, academics can rub elbows with business owners in a common, comfortable setting, discussing common interests and getting to know one another. The person with

the need for help meets and begins to trust the person who can offer assistance, smoothing the path academia must travel while helping small-business owners.

Business and academia must form a dynamic alliance



Robert W. Jagemann is the C.E.O. of Jagemann Stamping Company, a third generation, metal stamping firm that has won an international award for quality.

Universities play a vital role in the growth of small business. For universities to continue to be beneficial to small business, both sectors must cooperate and accept the responsibility of training a competitive work force for the future.

The traditional premise of a university has been to provide higher education in a general sense, to provide theory, not hands-on experience. In Wisconsin, we know this philosophy is of great benefit to business and industry because it has given us a competitive advantage in the marketplace. That advantage is a high-quality work force. Certainly, our work force reflects the quality of our educational system.

Employees who have been through the University of Wisconsin system know how to think and how to learn. This benefit is not job specific, but it is of immeasurable value to small-business owners.

Being open to new knowledge is natural in an academic environment; it is indispensable in the business world. New technologies are introduced every day. Employees must be capable of assimilating new ideas and new techniques when they begin their careers.

However, since many small companies have limited resources for training, college graduates must enter the work force with not only general knowledge, but also with specific skills necessary for their first jobs. Business owners should be able to expect that recent graduates can begin their jobs without extensive on-the-job training.

Therefore, if the premise of universities is to provide pure theory and no specifics, damn the premise. More specific knowledge is essential if we are to maintain our competitive edge in a global market. It is the obliga-

tion of a state university system to provide that knowledge.

Industry and academia must interface to meet global challenges. Neither can afford to close their doors to new ideas. There must be mechanisms in place to take information from business and industry, and integrate that information into the educational system. Universities must keep current; they must keep their programs in touch with the real world. Industry, on the other hand, must be ready to integrate abstract theory into their concrete practices.

Mechanisms such as the Small Business Development Center are ideal for such interface. It is in such an environment that ideas from academia can be coupled with those from the manufacturing and service sectors of our economy, as well as ideas from technical colleges.

To meet the challenges of today's global economy, academic course offerings must evolve to include practical experience, much as is done in the fields of engineering and medicine. To achieve this, business owners must adopt a hands-on policy in regard to education. Business owners can and must influence what is researched, what is taught, and even how knowledge is conveyed in university-level business curricula.

It is also the responsibility of business owners to use the services provided by the university system. Businesses must be as dynamic as we want universities to be. It is the obligation of business owners to educate their current work force to meet today's global challenges.

Universities can help business owners make this happen. Along with teaching potential employees how to learn, universities can help by training businesses to teach. On-the-job training will most certainly be enhanced if the trainers are better prepared. Universities can provide expertise on the "how to's" of developing training programs, from lesson plans to evaluation.

In addition, business owners must be open to new theories, which may be conveyed best in traditional university settings. Business owners must also be ready with feedback. They are in the best possible position to provide universities with the practical examples they need to illustrate abstract theories. Those practical examples will help tailor theories to meet today's needs.

Academia is vitally important to small-business owners, but academia cannot stand

alone. It is only through a dynamic alliance of academia and industry that we will be prepared to meet the global challenges of coming decades.

Small-business owners and academics are not blood brothers

Robert E. Bernier

Robert E. Bernier is the president of the Association of Small Business Development Centers. Appointed state director of the Nebraska Small Business Development Center in 1979, he is the longest-serving active SBDC director.

Each year, small-business owners go to colleges and universities for advice and assistance. They go by the thousands. They believe they have been helped, and they advise other small-business owners to go also. Yet, strains exist. Strains exist because small-business owners and academics both question the value of the relationship.

Small-business owners struggle in what they like to believe is a cold and cruel world — a world that rewards only exceptional men and women. Men and women of grit. Men and women of wit. A world foreign to the "ivory tower" of academe, to the safety of tenure, to the abstraction of management theory.

Inherent in this view of academe is an element of fear. Many small-business owners have not attended college. Even those who have, remember professors as being the ones who grade. What if they should embarrass themselves with a lack of knowledge — even of their own industry or market? Inherent too is a low regard for some of the university's graduates, whom the small-business owners now employ.

Professors struggle in what they like to believe is a cold and cruel world — a world that rewards only exceptional men and women. Men and women of intelligence. Men and women of diligence. A world foreign to the "street wise" interplay of small business, to the control of capital, to the negotiation of the deal.

Inherent in this view of small business is an element of fear. Many professors have never risked a dollar. Even those who have, now hold a steady job (or, in some cases, have retreated to one). Inherent too is an unwillingness to risk their careers.

Counseling small businesses is a risk for professors because:

- They consider, or believe others consider,

Strains exist because small-business owners and academics both question the value of the relationship.

Sometimes
we fail.

small-business management to be a less prestigious field of study than other business disciplines.

- They regard case study research to be anecdotal evidence and, therefore, less reliable than statistical evidence.
- They find no career benefit in helping their university fulfill its public service mission.

The fears are real. Small-business owners do not have the time to read the latest research. They can be easily intimidated. Small-business professors face tenure and promotion committees who equate the size of a business with its complexity, who believe the level of assets commanded by a manager is a rough approximation of the manager's competence; and who pray only at the altar of statistical analysis.

Given these views, it is difficult to see how the small-business owner can be embraced, can be helped.

Yet, thousands are helped. They are helped because many small-business owners and some professors have found a middle ground. The occupiers of this ground are Small Business Development Centers (SBDCs) and similar programs.

The SBDC offers a professional, welcoming, non-academic, non-threatening environment for the entrepreneur. The SBDC is an interface and a buffer. The great many clients seeking counsel, whether for new or existing businesses, find capable assistance delivered by full-time and part-time SBDC staff. Even though they are not academics, the staff is educated and dedicated. And, they perform the essential academic function — teaching. (Even in SBDCs sponsored by state economic development agencies, the essential function is instruction.)

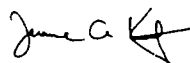
Because they operate within an academic environment, SBDC counselors become familiar with the rich variety of resources in the academy. They are a bridge that links the bright, energetic entrepreneur with the bright, energetic professor. And often, with this help, the entrepreneur and the professor find a rapport.

The entrepreneur is helped, and so is the professor. Through the interchange, the academician finds knowledge, finds that anecdotal evidence (while anecdotal) is still evidence, finds a human face in business decisions.

In these universities, relationships with small-business owners are valued. In responding to the intelligence, talent and thirst for knowledge among the best entrepreneurs, academics find that the public service mission isn't such a burden after all. "There are few

earthly things," John Masfield said, "more beautiful than a university." It is a beauty affirmed when it is shared.

Academia can help many — but not all — entrepreneurs



Jerome A. Katz is an assistant professor of Management and Decision Sciences at St. Louis University, where he is the associate director of the Jefferson Smurfit Center for Entrepreneurial Studies. He is also the director of research for the St. Louis Small Business Development Center.

Academia can — and does — help small business tremendously. The Small Business Institutes, Small Business Development Centers and noncredit training programs offered by academics help hundreds of thousands of firms each year. Evaluations show that the majority of small business owners are happy with the help these academia-based efforts provide.

As a professor who has worked with many small-business owners, I know that we can help many — but not all — entrepreneurs. Sometimes we fail. In my experience, there are three barriers to a successful working relationship.

Client-counselor mismatches create the first barrier. Problems occur when clients expect academic counselors to provide the same sort of service that private-sector consultants provide. Academic counselors teach clients how to solve their problems; private-sector consultants actually solve the problem. If, for example, you hire an accountant to consult on your record keeping system, you would expect to give the accountant your books, invoices and receipts. You would expect the accountant to give you back an orderly, usable balance sheet.

If, on the other hand, you hire an entrepreneurship academic for strategic plan development, you would expect that the academic would show you how to work up lists of personal and organizational goals, stakeholders and opportunities for strategic advantage. You, the business owner, would do most of the real work.

Academic counselors work best when the owners want to learn how to solve the problem themselves. Private-sector consultants work best when owners don't have the time,

experience or inclination to do a particular job.

The second type of barrier is created by an anti-generalist bias. Many small-business owners are skeptical about whether an academic who has a general knowledge of business can help them in their specific businesses.

For example, a rod manufacturer who was having labor problems asked me to come over and help him out. I wasn't able to help him, however, because I wasn't able to answer one question to his satisfaction. The question was, "What makes you think you know enough about my business to tell me what to do?"

The manufacturer has spent ten hours a day, five days a week for the last 15 years at the plant. Of course he's the expert on his plant and industry. No one, including his son (the planned successor) knew as much as he did. But yet, he did not have the answer.

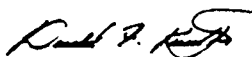
Academics don't have all the answers either. But they do know what decades of research indicates is the best way to perform basic business functions. Most academics are also knowledgeable about a handful of industries and specialized techniques. And many entrepreneurship academics have owned or managed a small business themselves.

The third barrier to successful working relationships is the fact that many entrepreneurs do not know of the existence of all of the sources of help that are available. Many universities do not aggressively market their programs, and many entrepreneurs do not aggressively look for assistance. As a result, there are a lot of small-business owners who do not get the assistance that they need.

If small-business owners were aware of what SBDCs, the SBA, local libraries, local colleges, chambers of commerce, and state governments had to offer, the owners would be more likely to find programs that suited them.

To return now to the original question, I would like to say that academics do help small-business owners. We're not reaching all of the owners who want or need our assistance, but as the understanding and appreciation of our services grows, I believe that we will be able to serve more small-business owners more successfully.

Applied Research is the Solution



Donald F. Kuratko, the author of two entrepreneurship textbooks, is a professor at Ball State University. He grew up working in his family's business.

"Improving the small business owner's competitive edge" is how the *Small Business Forum* describes its mission. Shouldn't this goal be adopted by all academics who attempt to extend their research to small-business owners? Research can help small-business owners improve their competitive edge when the researchers explain the applications and implications of their findings.

There are a number of active and successful programs that work directly with small businesses, such as the Small Business Development Centers and the Small Business Institute, where professors lend their particular expertise as consultants. However, the world of academia does not recognize this activity as "mainstream" in the promotion and tenure process. It is merely labeled "service" and it is considered extra to a professor's main obligations of teaching and research. Even though many professors realize that this consulting activity actually enhances their teaching and research, there still remains a considerable lack of recognition. Therefore, I propose that we look at how one of a professor's *mainstream* activities, research, can help small-business owners.

The eighties produced an explosion of academic interest in researching the entrepreneurial movement. Venture capital, start-up activities, expansion and growth of firms, family businesses, ethics, international expansion, and even corporate entrepreneurship are just some of the topics that appear in the literature today. Yet, are the researchers speaking clearly to the entrepreneurs and do the entrepreneurs pay attention? For years this debate has gone on with the general perception being that each entity ignores the other. This must change!

Professors of entrepreneurship and other related business fields have a great deal to offer by sharing their research with entrepreneurs. If research and insights could be expressed clearly to small-business owners and emerging entrepreneurs, then a great deal of experience, research, and knowledge could be networked among those interested in improving the competitive edge. The key words here are: experience, research,

Yet, are the researchers speaking clearly to the entrepreneurs and do the entrepreneurs pay attention?

In fact, the traditional role of universities has never been more important to small businesses.

knowledge, networking, and competitive edge. There is no individual who would argue against these key words as important factors in the success of any entrepreneur. The problem rests in the manner by which we attempt to communicate and generate these factors. Academic journals tend to share research results with fellow academicians. This is valuable in the advancement of research for the whole discipline of entrepreneurship. However, the research results and implications need to be brought out to the practitioners for application.

However, as Dr. Lane Tracy of Ohio University stated in a 1987 editorial for the *Mid-American Journal of Business*, "The practitioner audience is quite sophisticated and not easily satisfied. In some ways it is more difficult to write for this audience than for the typical academic journals. (For one thing, you have to make yourself understood.) Granted, some trade journals publish articles at a low level, but those that uphold high standards of quality should be respected. Articles published in them should count as professional publications. How can a professional school support research but deny the value of communicating it to those who might make use of it?" From this statement it becomes apparent that *applied research* is and should be the solution.

The eighties brought forth more journals dedicated to applied research than ever before. These journals seek to transmit research and knowledge to the small-business owner for application. In order for these journals to continue to be effective, there needs to be a willingness by professors to interpret, rewrite, and clarify academic research into viable, readable information that small-business owners can apply. That is the secret to applied research and to the continued effectiveness of practitioner-focused journals.

If professors can truly speak to small-business owners, their research, expertise, and knowledge can be transferred to the entrepreneur. Academics can help the small-business owner through one of their mainstream activities — research. Thus, professors give their best to help entrepreneurs achieve their best, and the small-business owner's competitive edge can be improved.

Education is of unprecedented importance

Susan Engeleiter

Susan S. Engeleiter is Administrator of the U.S. Small Business Administration, a federal agency created in 1953 to assist, counsel and champion the millions of small businesses in the United States.

Is it appropriate and realistic to expect our nation's colleges and universities to help small-business owners?

Absolutely.

The University of Wisconsin, my alma mater, has a hundred-year tradition of meeting educational needs called the "Wisconsin Idea." Central to the Wisconsin Idea is the notion that the borders of the university are the borders of the state.

In other words, university faculty and resources engage not only in research and the education of young adults, but also in helping the state and its people solve practical problems.

That same idea is applied nationwide by universities and community colleges that participate in two important programs of the U.S. Small Business Administration.

The SBA sponsors 56 Small Business Development Centers (SBDCs) around the country. In Fiscal Year 1989, SBDCs provided nearly 3 million hours of counseling and training for small businesses. Forty-two of these SBDCs are based at universities, and five are based in community colleges, and nine are in state governments.

Another SBA partnership program, Small Business Institutes (SBIs), is entirely university-based. At SBIs, senior- and graduate-level students, under faculty direction, provide management studies for small businesses. SBIs provided 246,000 hours of counseling in Fiscal Year 1989.

These special programs — in which institutions of higher education help adult entrepreneurs — are extremely important. But so is the more traditional work of colleges and universities — namely research and teaching young adults who haven't yet begun their careers.

In fact, the traditional role of universities has never been more important to small businesses. New knowledge and technologies developed by university researchers will be in-

valuable to entrepreneurs — and to America's ability to remain competitive worldwide. Technology transfer is a vital part of the responsibilities assigned by law to Small Business Development Centers.

There are several reasons that the education of tomorrow's workers is of unprecedented importance.

First, the workplace is becoming increasingly sophisticated. Pressures to increase America's workplace productivity will result in more computerization and high-technology production by firms of all sizes.

Second, most new workers — two of every three — have their first jobs in small businesses. If they have not been properly prepared, small businesses will suffer.

Third, the labor force is shrinking. The Census Bureau predicts that the number of people in the 20-29 age bracket will shrink from 41 million in 1980 to 34 million by the year 2000.

The competition for the best of these young workers will become increasingly fierce in the years ahead. If significant numbers of young workers are poorly educated, small businesses won't have the luxury of turning them aside.

Even today, it costs U.S. businesses some \$25 billion dollars to provide remedial training to workers whose skills are insufficient. Without a great improvement in

education, those costs will grow in the future and small businesses will bear the brunt.

Small businesses are the backbone of the American economy. They need — and our national economy demands — workers who are well-educated not only in basic skills, but also in creativity and decision-making, in the use of modern workplace technology, and in basic knowledge of the new global economy.

Universities must help assure quality education not only on their own campuses, but also in the primary and secondary school systems.

Commenting on the role of the higher education community recently, William Kinnison, president of Wittenberg University, wrote, "The higher education institutions that sit at the top of the educational system have serious responsibilities for providing educational leadership. If we set no standards for those who come to us from high school, we are undermining the entire system."

Can academia help small business owners? Absolutely. Indeed, small businesses at the heart of our nation's economic prosperity will have great difficulty surviving without that help. ■

Editor's Note: *Readers are encouraged to respond in letters to the editor.*

New knowledge and technologies developed by university researchers will be invaluable to entrepreneurs — and to America's ability to remain competitive worldwide.